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C O N F I D E N T I A L SECTION 01 OF 03 BUENOS AIRES 000387

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SUBJECT: ARGENTINA: BACK FROM THE BRINK - RURAL SECTOR AND
GOA AGREE TO A TRUCE

REF: BUENOS AIRES 376 AND PREVIOUS

Classified By: AMBASSADOR WAY FOR REASONS 1.4 (d)

¶1. (C) Summary: The GOA and Argentina's four main rural sector organizations have apparently worked out an understanding leading to a short "truce" and direct negotiations with a view to ending the 15-day-old rural sector strike (ref a). Negotiations are supposed to begin early March 28. The GOA will reportedly offer some flexibility in the way the higher export taxes will be applied as well as some new initiatives to assist small farmers. The farm groups are expected to come back with their counterproposals. (Note: Late last night, CFK instructed Cabinet Chief Alberto Fernandez to oversee negotiations and to postpone his planned trip to the US. End Note.) Most road blocks have been lifted, but a number of more radicalized local rural assemblies have not yet agreed to participate in the "truce". This breakthrough comes, in part, after a rising chorus of concern from pro-government provincial governors with largely rural bases and a host of others calling for dialogue. End Summary.

WORKING BACK FROM THE BRINK

¶2. (SBU) Late March 27, following intense behind the scenes discussions between Agriculture Secretary Javier De Urquiza (with the support of Cabinet Chief Alberto Fernandez) and representatives of the four main rural sector organizations, key rural sector representatives indicated their willingness to suspend road blocks for 48 hours if the government agrees to enter into discussions on increased export taxes. This offer was reciprocated several hours later by President Fernandez de Kirchner's (CFK), speaking before a rally of Peronist and Victory Front militants originally convoked to show a concerted front in the face of the 15-day old rural sector strike.

¶3. (C) The tone of CFK's 50-minute speech was not exactly conciliatory. She spent the first two thirds going on about the biased media, urban demonstrators opposed to her human rights agenda (implying their support for the reviled 1976-1982 military dictatorship), and gave a hint of the likely GOA strategy to divide and conquer by distinguishing the "valid" concerns of small farmers ("which the government has always supported") from those of large producers. At the end, however, CFK, "with humility," asked the farmers to lift their road blocks and enter into dialogue with the government. This gesture was sufficient for the major farm group leaders, who, just prior to the speech, had agreed to call for a temporary lifting of the blockades. A number of local farm assemblies did not receive CFK's message with such magnanimity and immediately called for continued action. As of the morning of March 28, however, most roads were open and

the remaining recalcitrant assemblies were meeting to decide whether to continue.

14. (C) This "truce" defuses the tense political situation which was threatening to escalate, with increasingly violent confrontations between farmers and truck drivers and between pro-farmer and pro-government demonstrators in Buenos Aires and other urban areas. A contact close to Cabinet Chief Alberto Fernandez told Ambassador that the GOA and rural representatives are supposed to start direct negotiations early on March 28. The GOA will supposedly offer some flexibility in the way recently increased agricultural export taxes will be applied but will not rescind the increases. It will also offer some new initiatives for small farmers. In a scenario worked out late yesterday between the farm reps and Agriculture Secretary de Urquiza, the farm groups will come back with their own counterproposals. Cabinet Chief Alberto Fernandez, who was scheduled to travel to Washington in early April, has been instructed by CFK to stay to oversee the negotiations, precluding his trip to the U.S.

GOA PEACEMAKERS

15. (SBU) The main GOA interlocutor in behind the scenes negotiations with the rural representatives was Agriculture Secretary Javier de Urquiza (acting on instructions from

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Cabinet Chief). Momentum had been building since CFK's inflammatory speech March 25 to find a negotiated solution. Buenos Aires Governor (and Nestor Kirchner's former Vice President) Daniel Scioli, cut short his trade mission to Brazil on March 26 to help the GOA deal with the crisis. Pro-government provincial governors with large rural bases such as Cordoba's Juan Schiarette, were openly calling for

BUENOS AIR 00000387 002 OF 003

dialogue, as were a number of other pro-government politicians and union leaders representing rural workers. Prominent private sector and religious leaders also called for a peaceful resolution of the conflict and urged both sides to talk.

16. (C) Our sources tell us that Cabinet Chief Alberto Fernandez has been a key peacemaker. Ambassador was told Fernandez opposed the hard-line approach that has characterized the GOA's response to the crisis this week, but was overruled by the Kirchners themselves (and then tasked to defend the street violence by government supporters). In a manner reminiscent of his role to end the seven weeks of bilateral estrangement with the USG two months ago, Fernandez supported behind-the-scenes efforts by Agriculture Secretary De Urquiza to open dialogue with agricultural sector leaders on March 26. This bore fruit, making it possible for CFK to move towards a rapprochement with the rural sector.

RURAL ARGENTINA FED UP

16. (SBU) The GOA's announcement March 11 of the increase in export taxes on a soybeans from 35% to 44% was the catalyst for the rural sector strike, the "straw that broke the camel's back," but the root cause of rural unrest runs deeper. In part it reflects Argentina's historical rural vs. urban metropole divide, with the country minority believing that it supports the urban majority with its work, productivity and disproportionate tax burden, receiving little in the way of public services in return. A pro-government councilman in the Buenos Aires rural municipality of Roque Perez is quoted in the press as claiming that his municipal budget is 15 million pesos (USD 5 million), while the municipality sends the federal government 100 million pesos (USD 320 million) in agricultural production taxes. He also said he resented CFK's portrayal of the demonstrators as the "beef oligarchy," noting that the

vast majority of farmers are humble farmers who live on very modest means. This "imbalance" in taxes paid and government benefits received in terms of schools, hospitals, roads, etc., is a common theme of rural sector complaints. Our ag sector sources say this sentiment is widespread today.

CONTROLLING THE BASES

17. (C) The situation in ref A, in which urban dwellers in Buenos Aires banged pots and pans in support of the farmers, and pro-government thugs descended on and attacked some of them to "take back the streets," repeated itself on the evening of March 26, and to a lesser extent on March 27. This spontaneous support in the cities for the farmers by Buenos Aires and other urban centers' middle classes appears to reflect general discontent with the Kirchner government over a number of issues rather than any particular affinity for the rural sectors complaints. These disgruntled urbanites were joined on the evening of March 26 by fringe elements of the far left bearing their own anti-government complaints -- and both were pummeled on television by pro-government thugs associated with Luis D'Elia's "piqueteros" and other groups. The March 27 night of televised images of government supporters beating peaceful protestors, with law enforcement officials AWOL, was an important reason that the GOA is now coming to the negotiating table, as the dispute's descent into violence could divide the country (not to mention public support for the government) further. The prospect for continued growth in the anti-GOA demonstrations in the absence of a negotiated settlement was high. Independent sources were circulating computer and text messages calling for a major gathering in support of the farmers. Many were very concerned that deaths could occur as supporters of both sides clash: a concern that remains strong on March 28.

Comment:

18. (C) Cooler heads have prevailed for the moment. Key figures on both sides favor a temporary truce to allow time for a negotiated resolution of the issue. Pro-government provincial officials, who embody much of the government's presence in the interior, are highly exposed by the rural crisis, and accordingly anxious to see it end. The GOA and farmers have stepped back from the brink but there is still some concern that some now-more-radicalized farm elements will continue and even escalate local action. The parties are to begin talks this morning and sources relate that the GOA will not rescind its export tariff increases but will offer some flexibility in their application as well as some new initiatives for small farmers. This latter point

BUENOS AIR 00000387 003 OF 003

reflects a strategy presaged in CFK's speech last night, that of trying to divide the sector between small and large producers and thus prevail. It is these small producers, less efficient than their large brethren, who are most acutely feeling the squeeze on their margins and are, for the moment, the most radicalized portion of the farm sector. But rural sector discontent extends well beyond increased export tariffs: There is real anger about inequitable distribution of tax revenues and public investment between urban and rural Argentina. The current redistribution of tax revenues (or co-participation in Argentine terms) is a real bone of contention between the provinces and the Casa Rosada. The export tax revenues, which account for an increasing share of total government revenue, are not co-participated and flowing exclusively to the federal government, a real tool of the central government to get most provincial leaders to toe the line. While this co-participation issue will not be resolved in these sectoral discussions, this strike has served to raise the profile in the public eye of this imbalance of monies flowing into the center and not coming back out except at the discretion of the Casa Rosada.

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